



*Michigan Infrastructure &  
Transportation Association*

# ROADS & BRIDGES

## FUNDING

### ❖ User Fees

Roads and bridges in Michigan are funded by user fees—gas taxes and registration fees.

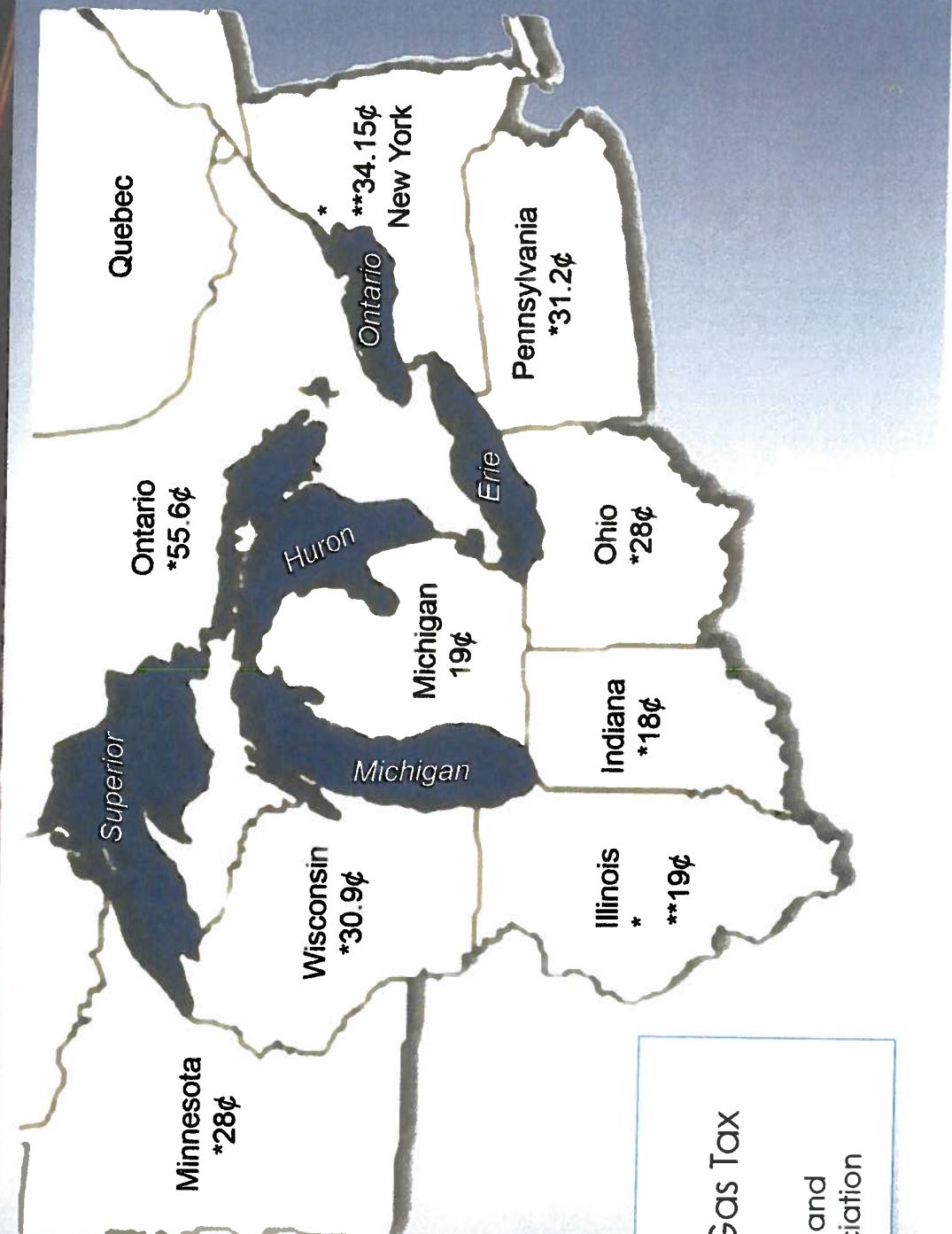
- ♦ Federal Gas Tax = 18.4 cents/ gallon
- ♦ State Gas Tax = 19 cents/ gallon in Michigan
- ♦ Registration Fees = Based on value of a vehicle
- ♦ Toll Roads (none in Michigan)

### ❖ Sales Tax

- ♦ Some states allocate sales tax to transportation investment. Michigan collects 6% sales tax on gasoline purchases, a vast majority of which is not used for transportation purposes.

# ROADS & BRIDGES

# COMPARISONS



Michigan's  
gas tax is  
one of the  
lowest in the  
Great Lakes  
region.

\* Toll Roads  
\*\* Local Option for Gas Tax

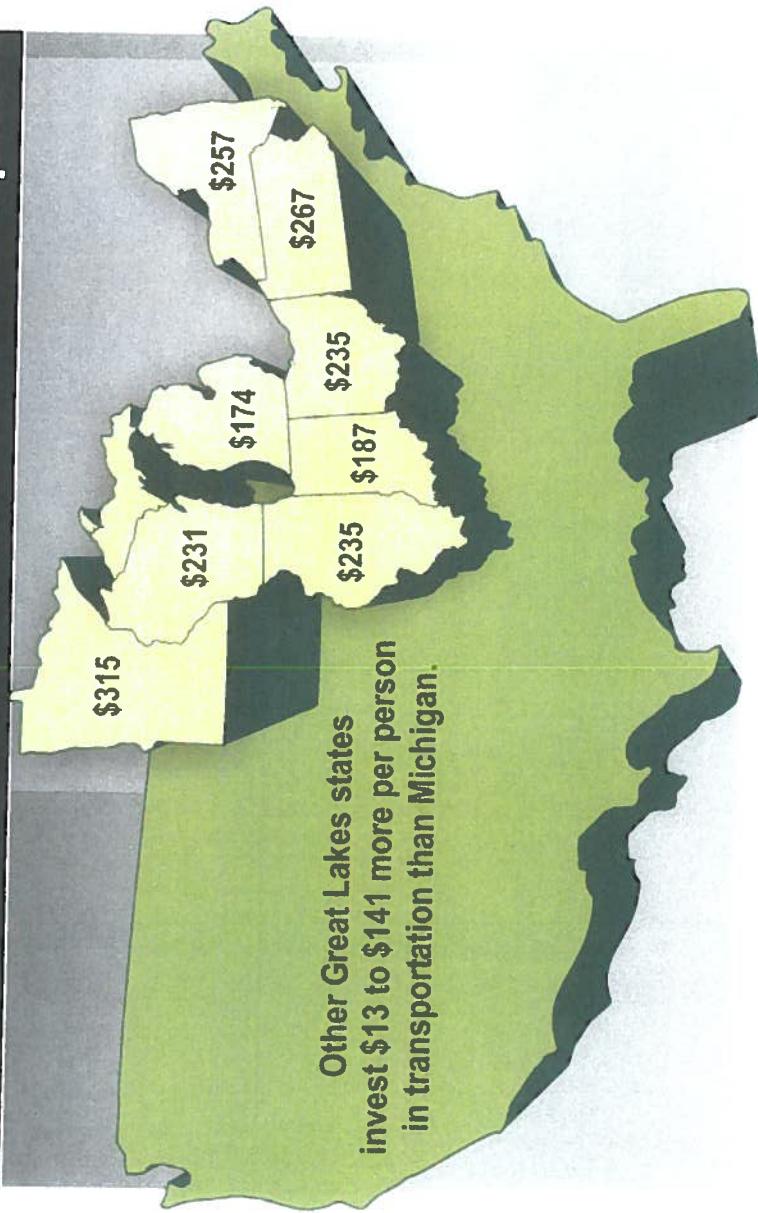
Source: the American Road and  
Transportation Builders Association

# ROADS & BRIDGES

# COMPARISONS

Michigan's investment in transportation per capita is the lowest among neighboring states.

## Transportation Investment Per Capita

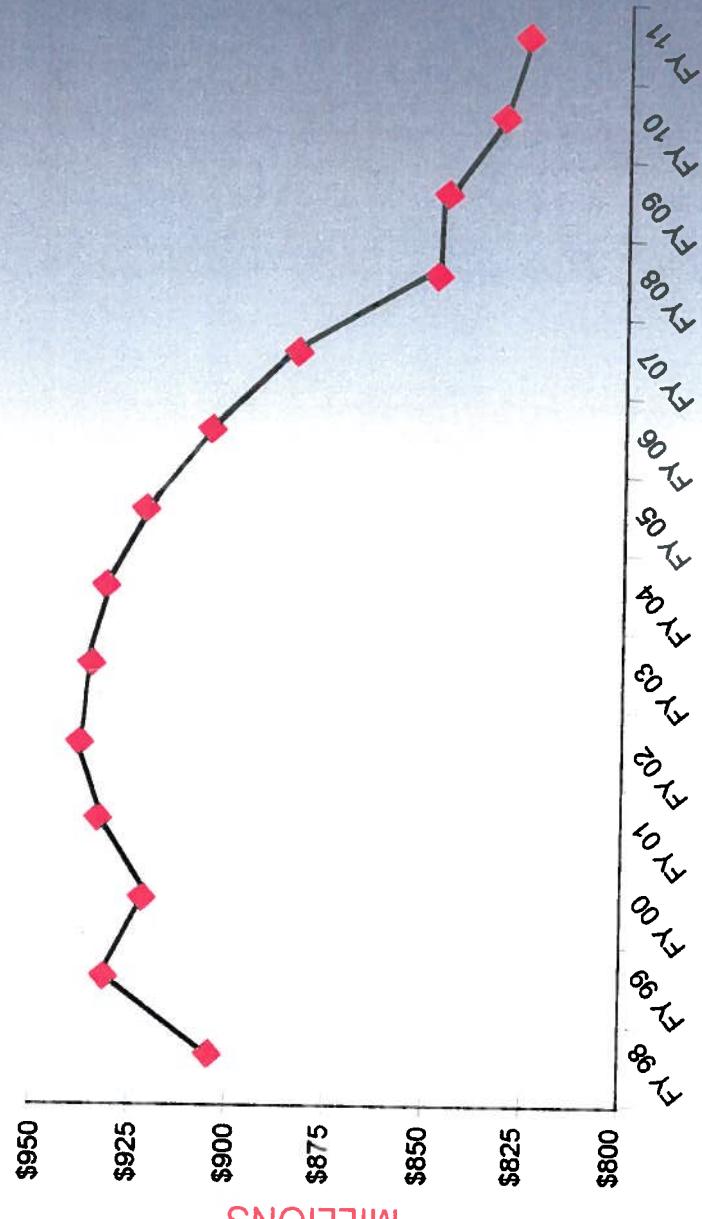


# ROADS & BRIDGES

## REVENUE

Our gas tax revenue has declined steadily since 2005 while the cost of materials used to rebuild our infrastructure continue to rise.

### Michigan Gasoline Tax Revenue



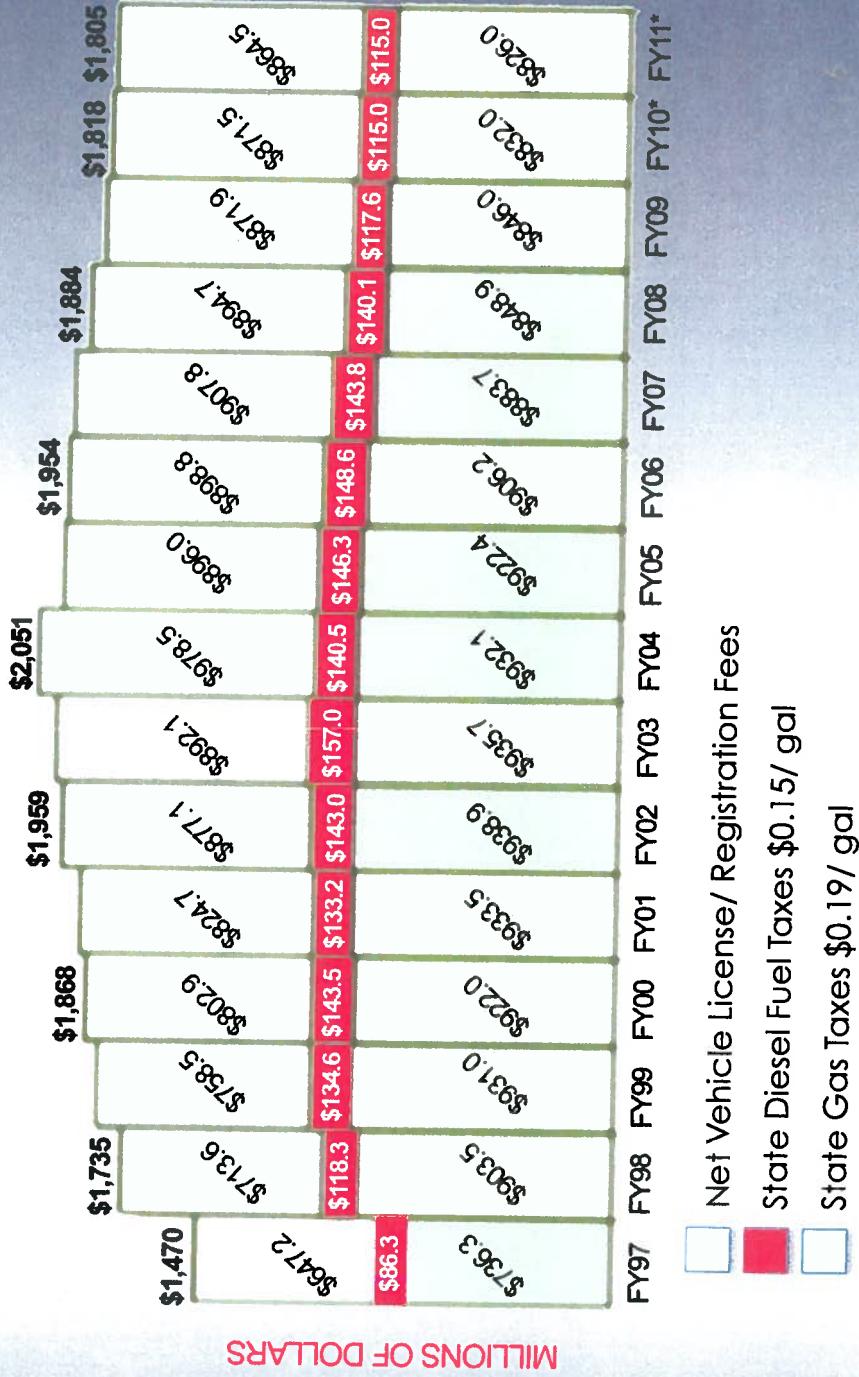
Source: Michigan Department of Treasury

# ROADS & BRIDGES

## REVENUE

### Transportation Revenue

Similar to gas tax revenue, our overall transportation revenue has also declined steadily since 2005.



Net Vehicle License/Registration Fees

State Diesel Fuel Taxes \$0.15/ gal

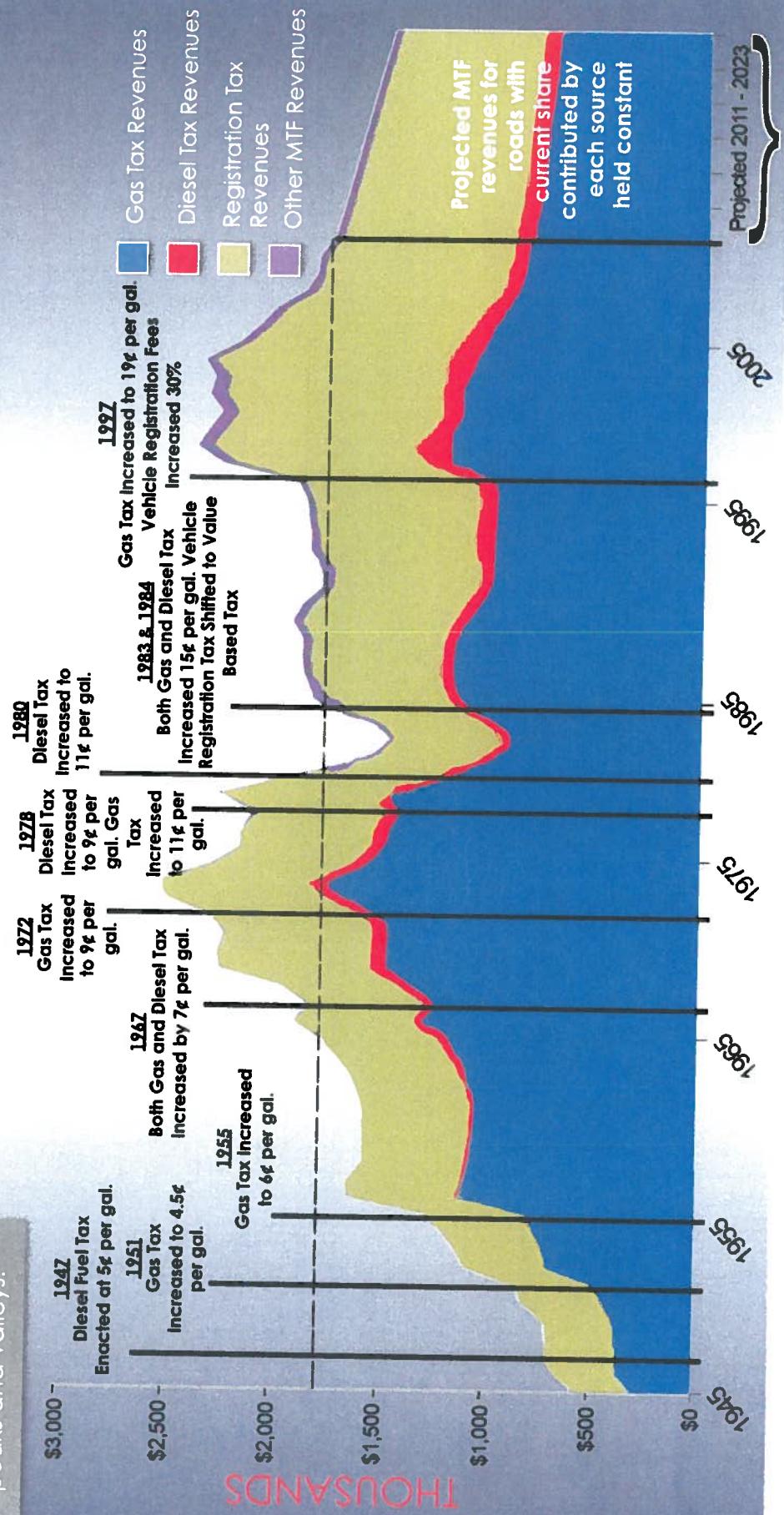
State Gas Taxes \$0.19/ gal

# ROADS & BRIDGES

## REVENUE

Going back in history,  
revenues allocated for  
roads have seen many  
peaks and valleys.

### MTF Revenues Allocated for Roads 1945-2010

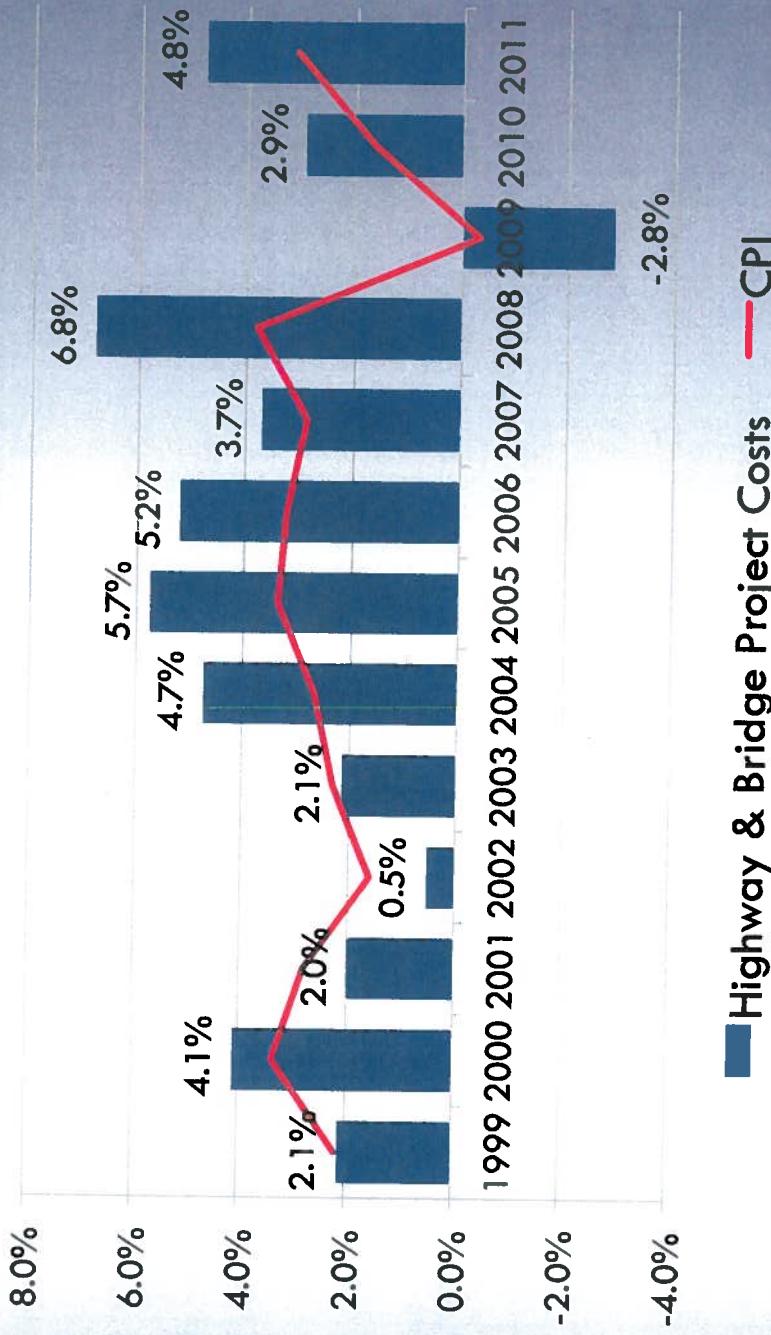


# ROADS & BRIDGES

## RISING COSTS

Prices for highway & bridge construction outpace inflation nationwide

### Annual Change in Construction Price Index



Source: American Road & Transportation Builders Association

# ROADS & BRIDGES

## RISING COSTS

### Materials Price Inflation 2008 - 2012

	Percentage Increase				
	2008	2009	2010	2011	2012
Asphalt Paving	22.3	0.7	4.3	6.1	1.0
Concrete Paving	6.3	2.9	-4.4	-1.3	2.8
Structural steel	10.3	-2.8	0.0	5.1	1.0
Equipment	2.8	3.2	3.5	3.9	10 - 14
Diesel Fuel	-30.0	19.0	14.0	23.0	-2.0

Significant material and equipment price increases erode available resources

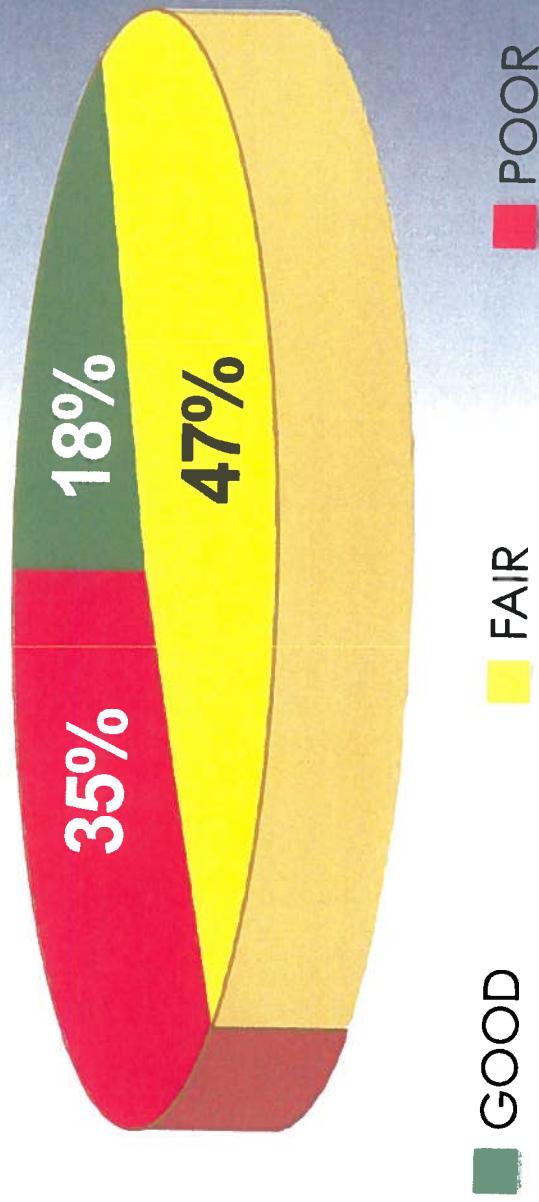
Source: HIS Global Insight Inc., U.S. Energy Information Administration

# ROADS & BRIDGES

## CONDITIONS

### Current Road Conditions 2010 Pavement Condition (Federal aid)

Currently, only 18% of Michigan roads are in good condition.

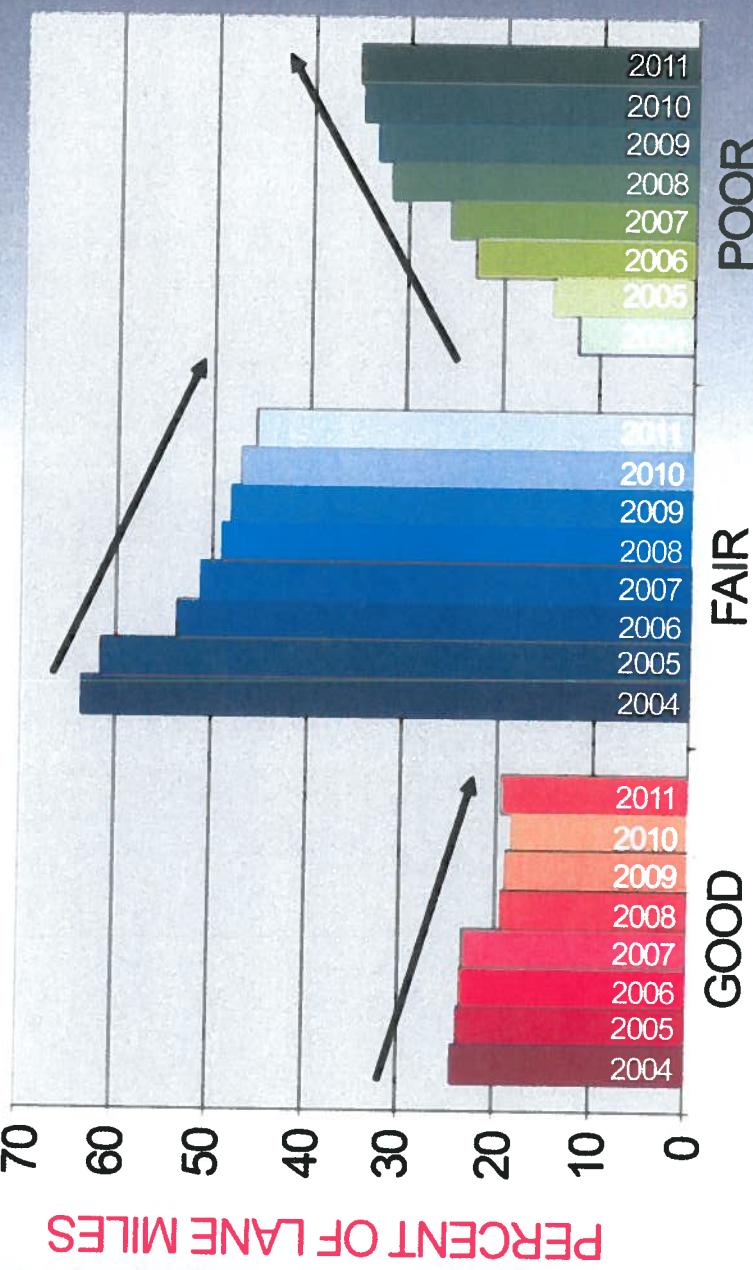


Source: TAMC 2010 PASER Data Collection Figure 1

# ROADS & BRIDGES

## CONDITIONS

2004-2011 Pavement Condition of  
Federal Aid Eligible Roads



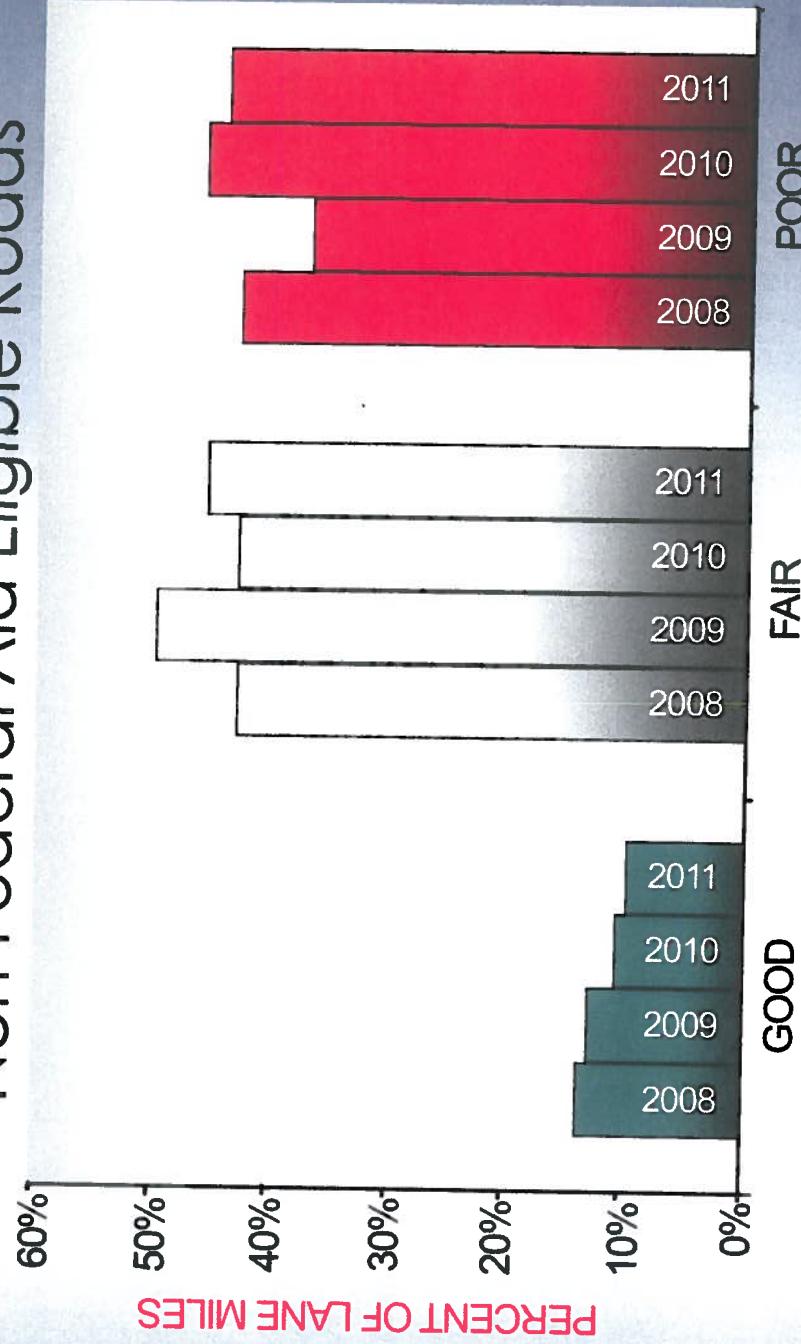
The percentage of good and fair roads continues to decline while the percentage of poor roads continues to rise.

Source: Michigan Transportation Asset Management Council

# ROADS & BRIDGES

## CONDITIONS

### 2008-2011 Pavement Condition of Non-Federal Aid Eligible Roads



The condition  
of our local  
roads are  
worse than  
federal-aid  
eligible roads.

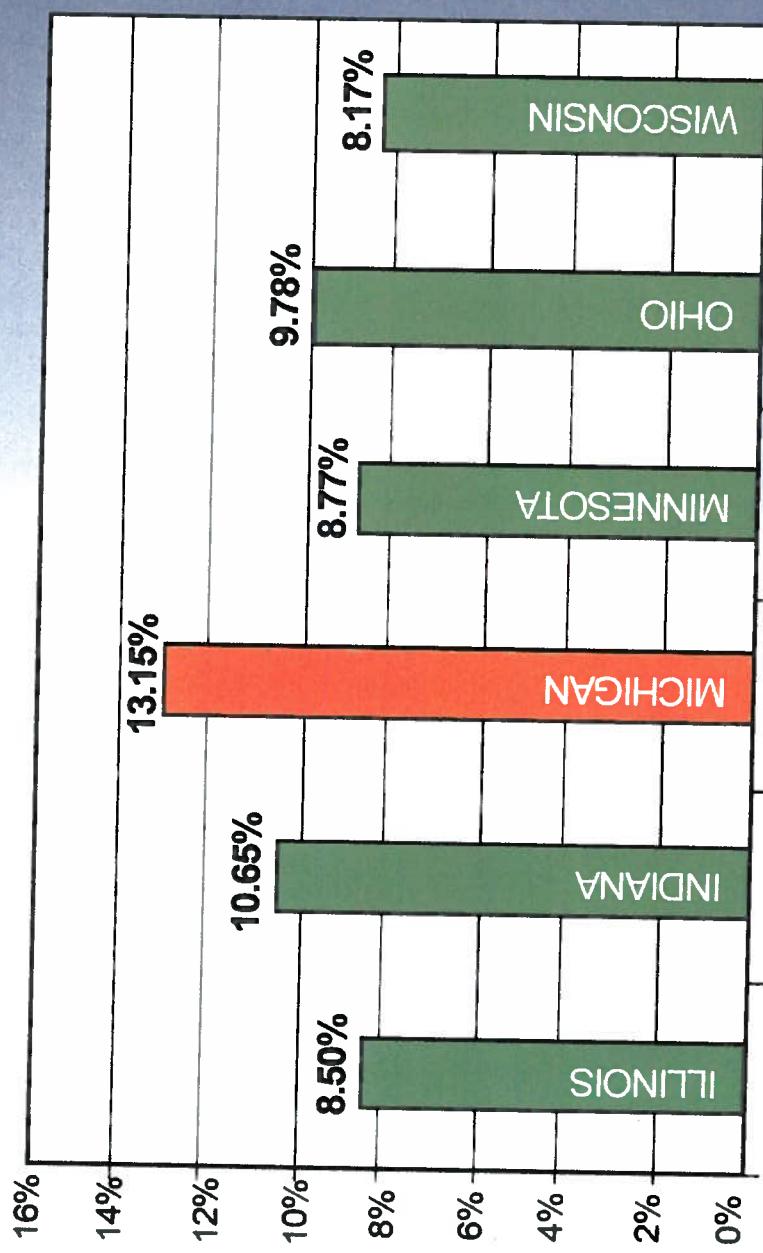
Source: Michigan Transportation Asset Management Council

# ROADS & BRIDGES

## CONDITIONS

Compared to other Great Lakes States, Michigan has the highest percentage of bridges that are rated structurally deficient.

PERCENT OF STRUCTURALLY DEFICIENT BRIDGES



Source: MDOT April 2011, Figure 2

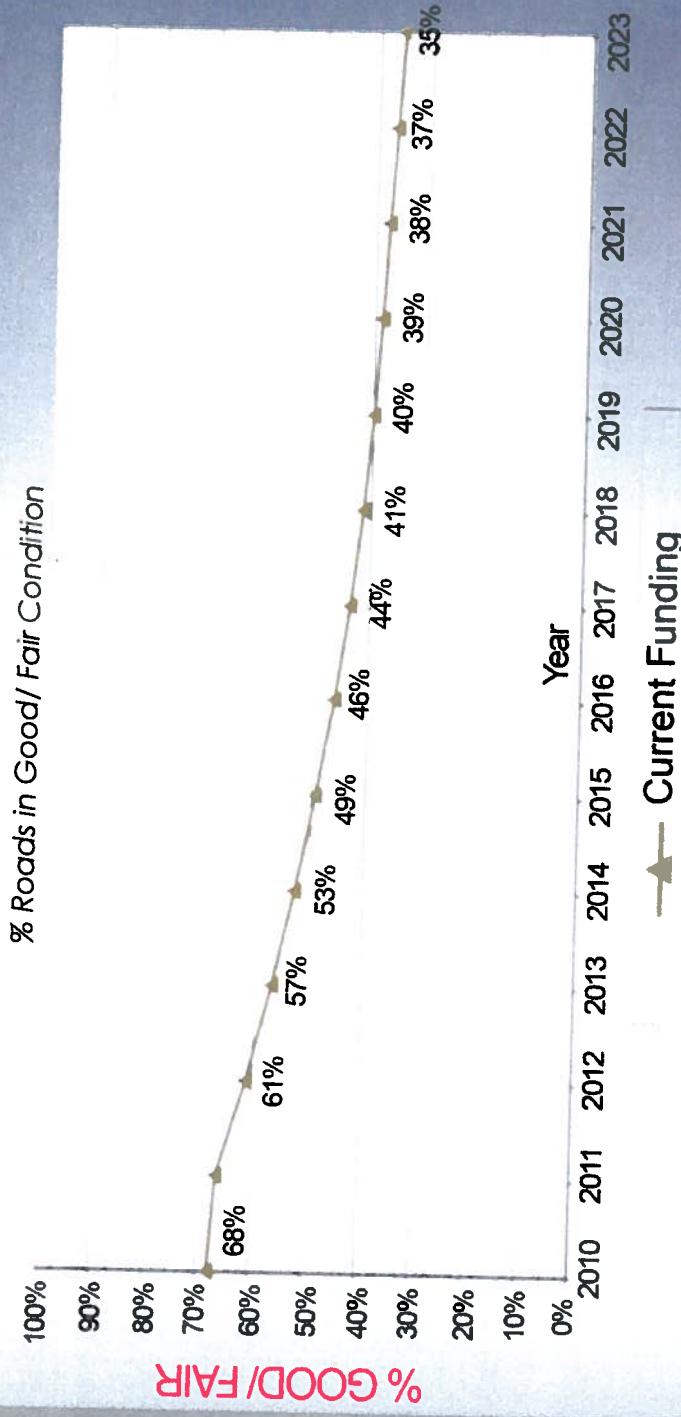
# ROADS & BRIDGES

## THE DECLINE

Under the current investment strategy, the future is bleak. By 2023, 65% of Michigan roads will be rated in poor condition.

### Future Projections Under The Current Revenue Structure

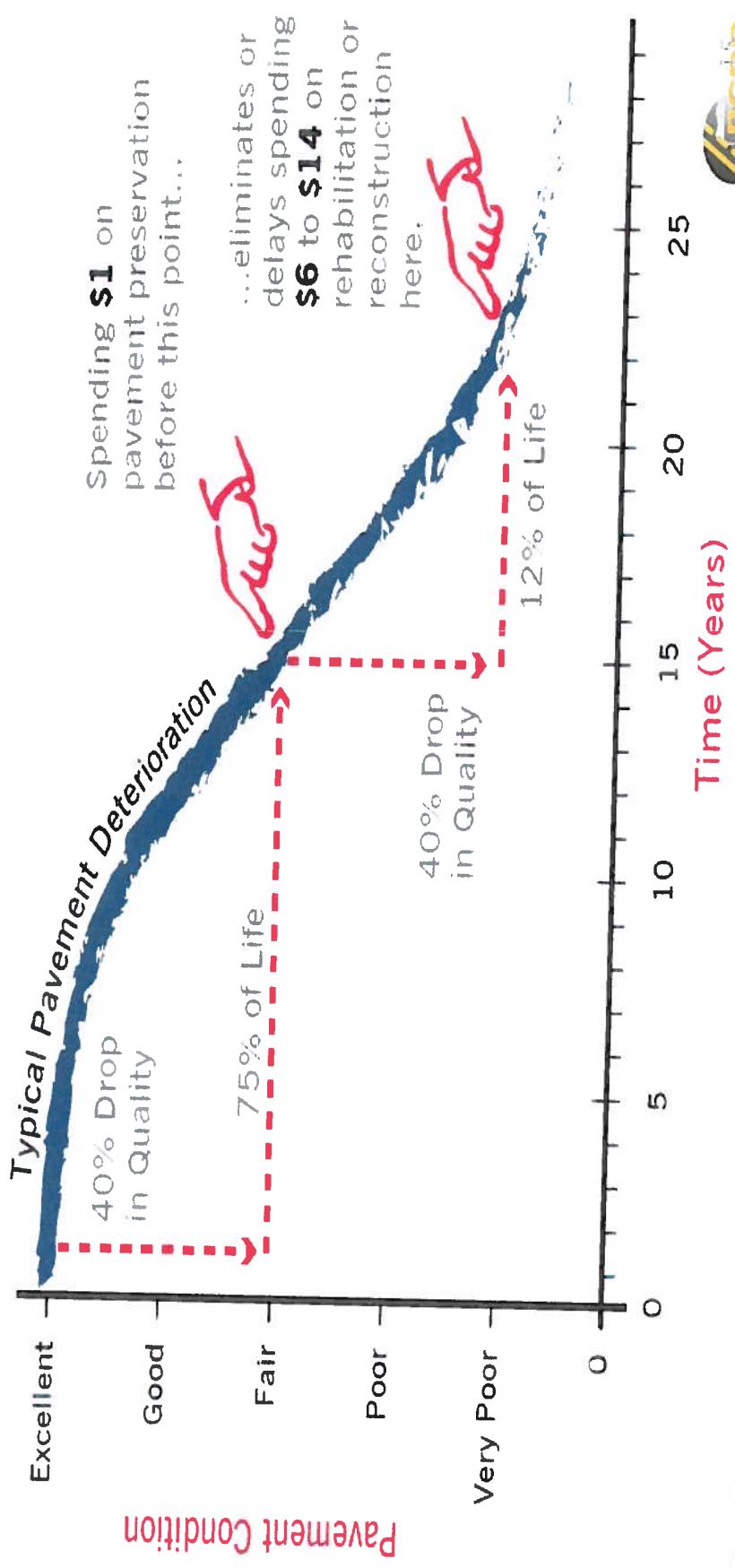
All Paved Federal-Aid Eligible Roads



Source: A special message by Gov. Rick Snyder; Reinventing Michigan's Infrastructure: Better roads drive better jobs  
Analysis: Anderson Economic Group, LLC (2012)

# ROADS & BRIDGES ASSET MANAGEMENT

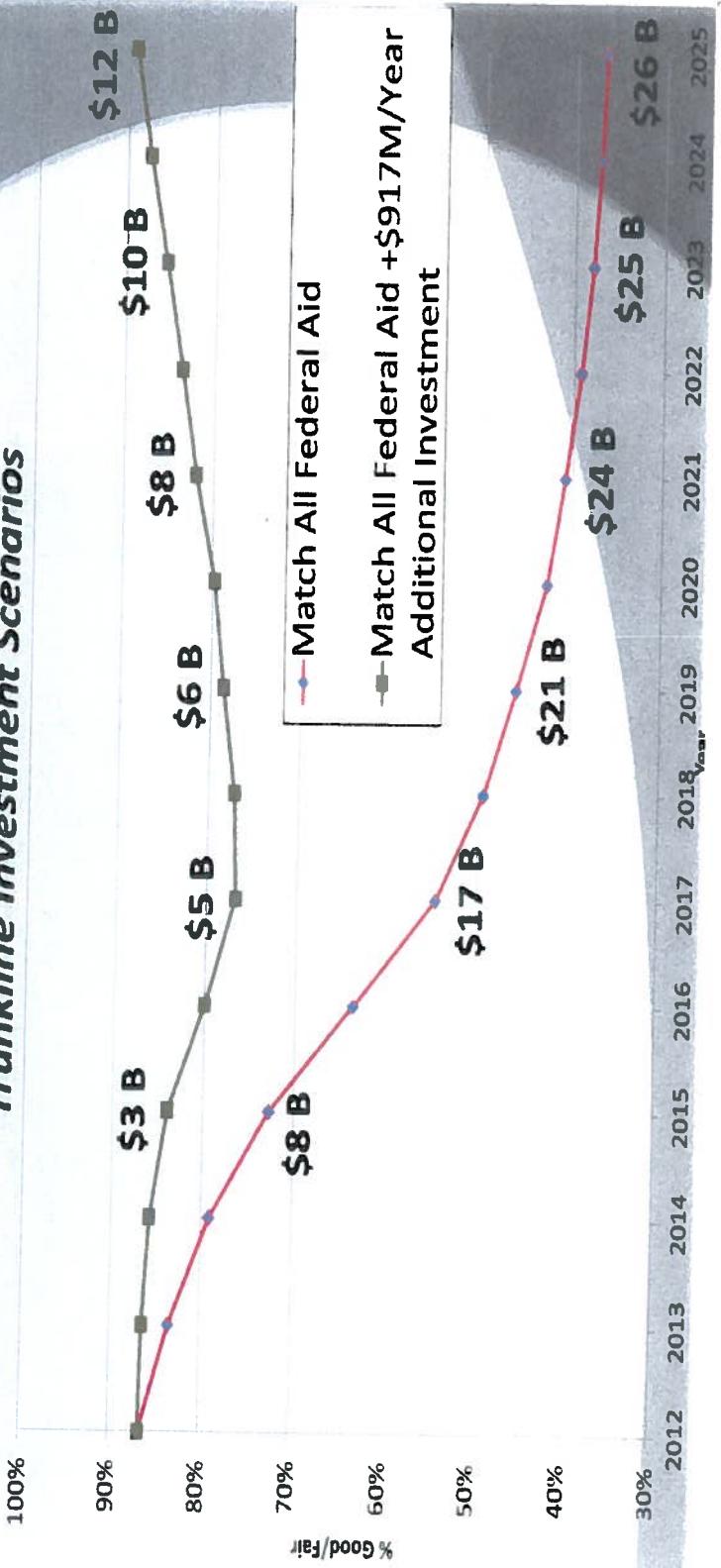
## PAVEMENT PRESERVATION IS COST EFFECTIVE



# ROADS & BRIDGES SAVINGS

## PAY NOW OR PAY LATER

*Trunkline Investment Scenarios*



# ROADS & BRIDGES

## REPORTS

- ❖ Transportation Funding Task Force (TF2) – November 2008
  - If Michigan's transportation system is to continue to serve the state adequately, our investment in transportation must increase significantly.
  - Recommended investing an additional \$3 billion annually into Michigan's transportation system, not limited to maintaining the state's roads and bridges.
- ❖ Anderson Economic Group Report – May 2010
  - Found that the benefits to the state and its residents of increasing our road funding and improving our roads are very large, and far offset the cost of the higher gas taxes necessary to support that expenditure.
  - An investment of an additional \$2 billion would create a net increase of over 15,000 new jobs.
- ❖ The Road Information Program (TRIP) – March 2012
  - Found that the average Michigan driver pays \$357 annually in unnecessary repairs to their vehicles due to poor roads, on average \$80 more than surrounding states.
  - We can potentially save 1,000 lives over the next 10 years if we improve the conditions of our roads and bridges.

# ROADS & BRIDGES

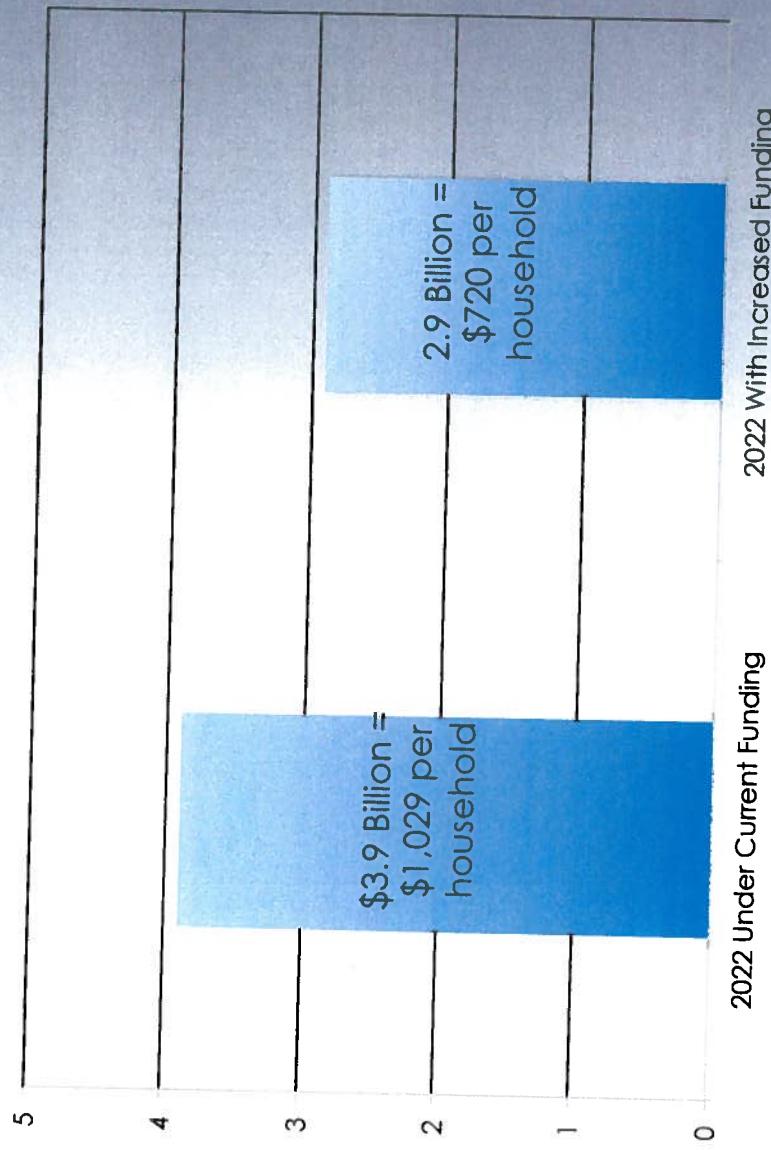
## REPORTS

- ❖ Anderson Economic Group Report – June 2012
  - Studied the economic impact of four possible scenarios that would increase funding for roads in Michigan by \$1.4 billion per year.
  - All four scenarios for increasing road funding in Michigan by \$1.4 billion annually result in a net increase of 11,000 or more jobs in the state.
  
- ❖ Michigan House Transportation Committee Report (Representative Rick Olson) – September 2011 and March 2012
  - Studied the conditions of our roads and bridges to determine how much additional revenue was needed annually to maintain them.
  - The report does not include any new or widened roads to improve capacity or relieve congestion nor does it consider any transit issues.
  - Concluded in September 2011 that \$1.4 billion more revenue per year would be needed to maintain our roads and bridges.
  - An update to the report in March 2012 showed that the amount of additional investment needed on an annual basis increased to \$1.5 billion.

# ROADS & BRIDGES

## SAFETY

### Projected Michigan Statewide Annual Fatal Crash Costs By 2022



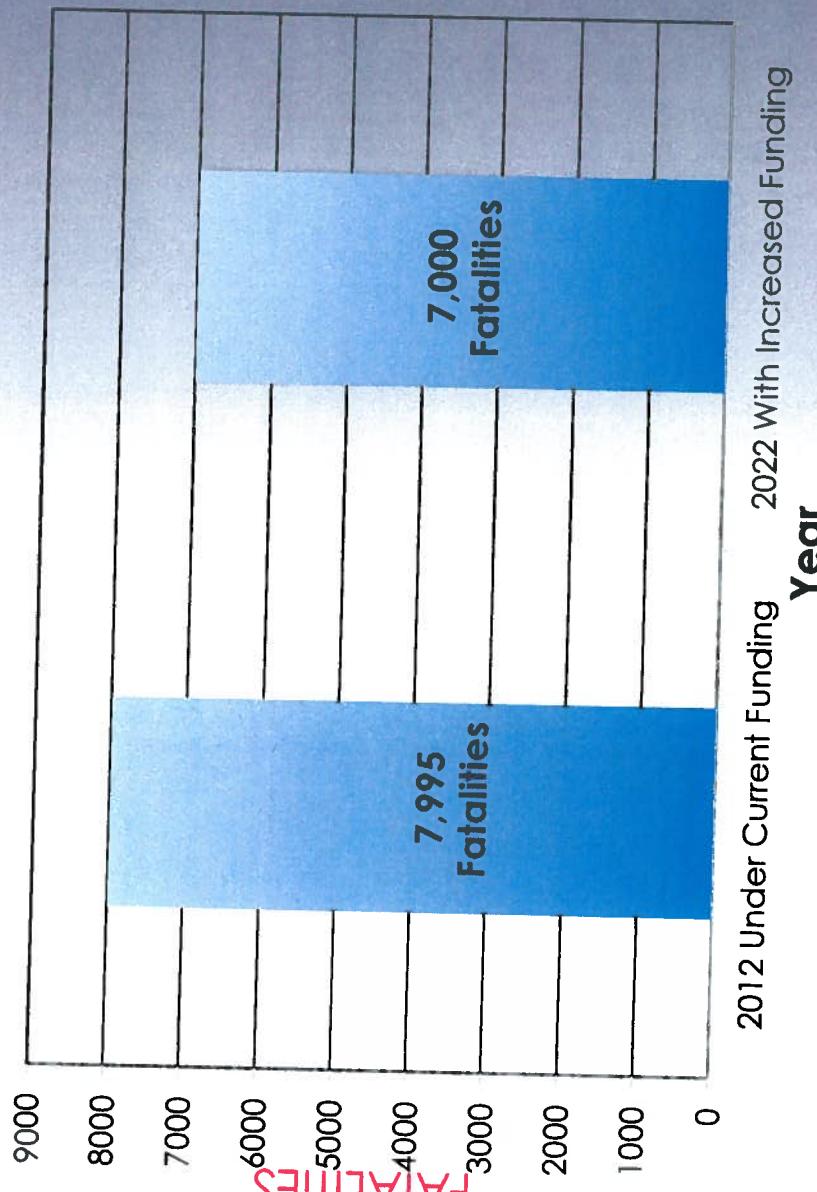
We can  
reduce crash  
costs by \$1  
billion with  
increased  
funding.

\* Based on information from *The Road Information Program*, "Where Are We Going? 2012"

# ROADS & BRIDGES

## SAFETY

### Projected Michigan Traffic Fatalities Between 2012-2022



We can save  
100 lives  
annually with  
increased  
funding.

\* Based on information from The Road Information Program, "Where Are We Going? 2012"

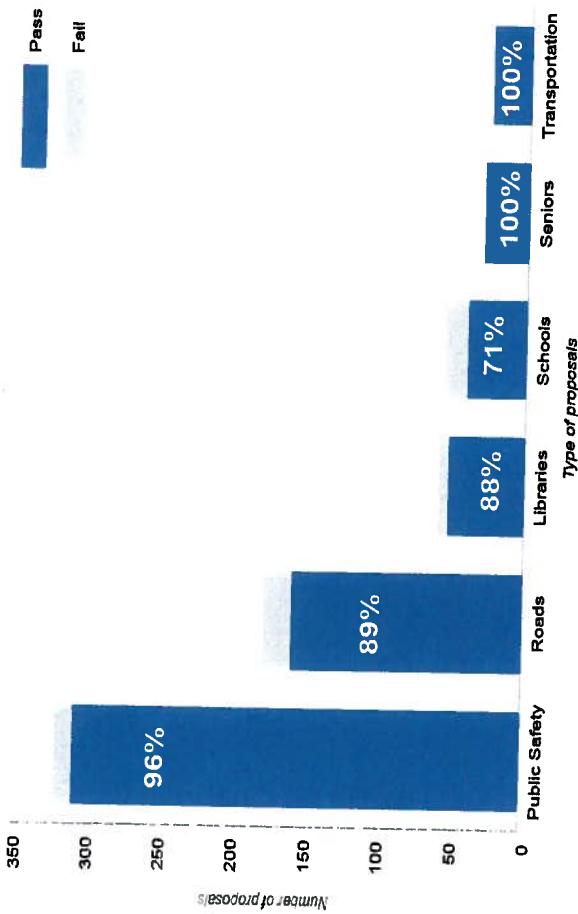
# ROADS & BRIDGES

# PUBLIC SUPPORT

Many communities recognize the need to improve their roads and bridges and voted in favor of increasing their millages to pay for those improvements.

## Millage Proposal Approval Rates

Michigan Primary | Aug. 7, 2012



\* Based on information from BRIDGE MAGAZINE, August 2012.

## Moving Forward

In order to move forward it is imperative to recognize how a state once known for its road building innovation is now recognized as having some of the worst roads in the nation. The answer lies in decades of underfunding. When compared to other states, Michigan's state and local transportation funding has ranked 42nd or worse for nearly half a century. Quite simply, our roads and bridges have not been a budgetary priority. Our crumbling roads and bridges are the result of misplaced priorities!

Per Capita State & Local Expenditures (Michigan's Rank in the Nation)						
Expenditures	1964	1974	1984	1992	2008	2011
Health	5	8	9	3	12	13
Education	11	7	10	7	11	9
Welfare	31	5	3	8	17	32
Roads	43	44	42	44	49	42

- Michigan has the 8th largest public road system in the U.S.

Source: U.S. Census Bureau

We did not get into this funding hole overnight and although we need to stop digging, the solution may take time. However, data from the TAMC revealing that Michigan has lost \$7.8 billion in road asset value from 2004-2011 is evidence that we must start solving the problem today.

In November 2008, the legislatively-approved and gubernatorial appointed Transportation Funding

Task Force (TF2), after considerable research, recommended that the legislature double our current level of investment in transportation (\$3 billion annually) with \$1.65 billion alone needed to maintain our roads and bridges at their current condition ratings. With inflation and increased deterioration—a loss of \$1 billion in asset value annually—the \$3 billion needed in 2008, \$1.65 for roads and bridges, is likely much higher today.

Former State Rep. Rick Olson (R-Washtenaw) led a House work group which studied transportation spending and investment needs during the 2011-2012 Legislative Session. In 2012, Rep. Olson estimated the minimum annual funding increase needed just to meet our pavement preservation needs at \$1.54 billion. This does not include any new funding for routine maintenance including the maintenance of approximately 40,000 miles of gravel roads; local or state agency equipment needs; traffic safety and capacity improvements; or transit.

In the fall of 2012, a Senate Transportation Task Force held a series of hearings with the goal of determining the level of funding required to meet the short and long-term needs of Michigan's transportation infrastructure, and the funding sources and options available to raise this revenue. Testimony from a variety of sources led the group to conclude that the need is likely greater today than it was in 2008, when TF2 concluded that Michigan needed to double our current investment in transportation. While the Task Force members debated how much could be spent on preserving roads and bridges annually without negatively impacting commerce, all parties agreed that state and local road agencies could spend the additional \$1.54 billion suggested by Rep. Olson.

In 2011, Gov. Snyder showed bold leadership in his Special Message on Infrastructure by acknowledging that we can no longer put off reinvesting in our deteriorating infrastructure.

# Transportation Investment Per Capita

